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102D CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
102-223

TERMINATION OF APPLICATION OF TITLE IV OF THE TRADE ACT OF 1974 TO CZECHOSLOVAKIA AND HUNGRY

SEPTEMBER 26, 1991.—Committee to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means submitted the following, submitted the following

REPORT

[To accompany H.R. 1724]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1724) to provide for the termination of the application of title IV of the Trade Act of 1974 to Czechoslovakia and Hungry, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

BACKGROUND AND SUMMARY

Dramatic changes have been made in Hungary's and Czechoslovakia's political and economic systems over the past two years. Both countries have peacefully ousted communist regimes and moved to democratic systems of freely-elected representatives. Laws have been passed guaranteeing freedom of emigration and protecting civil rights. Measures have been adopted, and more are planned, to substantially restructure the economies, from systems based on central planning and control to ones based on market-oriented principles.

Hungray received most-favored-nation (MFN) status beginning in 1978 through the annual Presidential waiver process. In 1989, Hungary became the first country ever declared in full compliance with the emigration requirements of Title IV of the trade Act of 1974 (the so-called Jackson-Vanik amendment) and now as it remains in compliance with the Jackson-Vanik conditions. The President must submit a report to Congress twice a year certifying Hungary's continued compliance; and Congress has the opportunity once a year to disapprove the President's report and Hungary's MFN status.

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U.S. imports from Hungary totalled $349 million in 1990, led by machinery and transport equipment. U.S. exports totalled $157 million, led by machinery and transport equipment and crude materials.

Czechoslovakia was granted MFN status on November 17, 1990, following Congressional approval of a bilateral trade agreement (Public Law 191-541, November 8, 1991). Czechoslovakia's continued MFN status is subject to annual Presidential waiver under Title IV. On June 3, 1991, the President formally notified Congress off his intention to waive the Jackson-Vanik freedom of emigration requirements and extend Czechoslovakia's MFN status through July 3, 1992 (House Document 102-94). The Committee understands that the President soon is expected to submit a report to Congress finding Czechoslovakia in full compliance with the freedom of emigration requirements of Title IV.

U.S. imports from Czechoslovakia in 1990 were $87 million, led by miscellaneous manufactured items. U.S. exports to Czechoslovakia totalled $89 million in 1990, led by machinery and transport equipment and crude materials.

The purpose of H.R. 1724 is to normalize U.S. trade relations with Hungary and Czechoslovakia and place them on the same footing as virtually all other U.S. trading partners. The bill would authorize the President to determine that Title IV no longer should apply to Hungary or Czechoslovakia and to extend MFN status to those countries on an unconditional basis. It also notes that the President has directed the U.S. Trade Representative to negotiate with both governments to preserve the commitments now contained in our bilateral trade agreements and to obtain other appropriate commitments (relating to such matters as enhanced intellectual property rights protection). The Committee understands that negotiations have been initiated and progress has been made.

COMMITTEE ACTION

H.R. 1724 was introduced on April 11, 1991, by Representatives Gibbons, Crane, Anthony, Downey, Johnson of Connecticut, et al, and was referred to the Committee on Ways and Means. It was referred subsequently to the Subcommittee on Trade. The Subcommittee requested and received public comments for the record on H.R. 1724. Comments were received from firms, business associations, and individuals with an interest in trade and economic relations with Hungary and Czechoslovakia. All comments supported H.R. 1724 and the normalization of U.S. trade relations with those two countries. On September 25, 1991, the Committee on Ways and Means, by voice vote, ordered H.R. 1724 favorably reported to the House of Representatives without amendment.

SECTION-BY-SECTION ANALYSIS, COMPARISON WITH PRESENT LAW, AND REASONS FOR CHANGE

Present law

Title IV of the trade Act of 1974, as amended by the Customs and Trade Act of 1990, sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for the President to grant nondiscriminatory, most-fa-

vored-nation (MFN) status to a nonmarket economy country. Title IV also requires that a trade agreement providing MFN status remain in force between the United States and the nonmarket economy country receiving MFN status and sets forth minimum provisions which must be included in such an agreement.

Presidential waivers and reports under Title IV—and thus a country's MFN status—are subject to disapproval by Congress. If the President determines that a country is in full compliance with the Jackson-Vank freedom of emigration requirements, section 402(b) requires that he submit a report to the Congress by June 30 and December 31 of each year that such country receives MFN treatment, describing the nature of the country's emigration laws and policies. The country's MFN status may be revoked, if a joint resolution disapproving the December 31 compliance report is enacted into law within 90 legislative days of the delivery of the report to Congress. If such a resolution is enacted, the Country's MFN status is rescinded effective 60 calendar days after enactment.

Annual Presidential recommendations under section 402(d) for a 12-month extension of authority to waive Jackson-Vanik freedom or emigration requirements (either generally or for specific countries) are subject to a joint resolution of disapproval passed by the Congress within 60 calendar days after expiration of the previous waiver extension. An additional 15 legislative days, following the 60 calendar day period for initial passage, is available for consideration of any veto message. If such a resolution is enacted, the country's MFN status is rescinded, effective 60 calendar days after enactment.

Explanation of provisions

Section 1 of the bill contains Congressional findings and notes preparatory Presidential action. Subsection (a) makes a number of findings relating the Hungary's and Czechoslovakia's respect for fundamental human rights; there policies of free emigration for their citizens; and the political and economic reforms undertaken by both countries. Subsection (b) notes that the President, in anticipation of the enactment of the bill, has directed the U.S. Trade Representative to negotiate with both countries to preserve the commitments contained in the bilateral commercial agreements that are consistent with the General Agreement on Tariffs and Trade; and to obtain other appropriate commitments.

Section 2 provides for the termination of application of Title IV of the Trade Act of 1974 to Czechoslovakia and Hungary. Subsection (a) authorizes the President to determine that such title should no longer apply to Hungary or Czechoslovakia, or to both; and after making such a determination, proclaim the extension of nondiscriminatory, MFN treatment to the products of that country. Subsection (b) provides that after the extension, under subsection (a) of MFN treatment to the products of a country, Title IV of the Trade Act of 1974 shall cease to apply to that country.

Reasons for change

The Committee believes that the reforms that have taken place in Czechoslovakia and Hungary merit a strong, positive response

from the United States. The primary purpose of the Jackson-Vanik amendment was to encourage policies of free emigration from countries controlled by communist regimes. That purpose, and more, has been met in the case of Hungary and Czechoslovakia. Not only do they allow free emigration, but they have adopted democratic, free-market policies. It is time to recognize that fact and to remove the uncertainties that surround the MFN status of Hungary and Czechoslovakia under current law. Normalization of U.S. trade relations with those countries will provide an important element of stability and continuity for traders and investors that will help further the reforms now taking place.

MATTER REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE—VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause (2)(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill H.R. 1724 was ordered favorably reported without amendment by the Committee, by voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives relating to oversight findings, the Committee, based on public comments received on H.R. 1724, has concluded a comprehensive review of U.S. trade relations with Hungary and Czechoslovakia, including the question of normalizing U.S. trade relations with those countries by removing them from the provisions of Title IV of the Trade Act of 1974. On the basis of that review, the Committee has concluded that H.R. 1724 would contribute to improve U.S. trade and investment ties with Hungary and Czechoslovakia and promote those countries' movement toward market-oriented economies and democratic political systems.

With respect to clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

BUDGETARY AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that there are no tax expenditures or new budgetary authority providing financial assistance to State and local governments in the bill.

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the Committee agrees with cost estimates furnished by the Congressional Budget Office on H.R. 1724 and required to be included herein:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 24, 1991.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 1714, a bill ending the application of Title IV (the Jackson-Vanik Amendment) of the Trade Act of 1974 to Czechoslovakia and Hungary. The bill was introduced and referred to the House Commitee on Ways and Means on April 11, 1991. CBO estimates that H.R. 1724 would have no budgetary effect in fiscal years 1991–1996.

Under Title IV of the Trade Act of 1974, most-favored-nation (MFN) status may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. Because of this stipulation, Czechoslovakia and Hungary historically have been ineligible for permament MFN status. Under present law, however, the President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in a country. Hungary was granted MFN status for the first time in July 1978 on the basis of a presidential waiver and has been granted MFN status on an annual basis since then. Czechoslovakia was granted MFN status for the first time in November of 1990, also on the basis of a presidential waiver.

H.R. 1724 would grant the President the authority to stop applying Title IV of the Trade Act of 1974 to Czechoslovakia and Hungary, thereby allowing them to receive MFN status on a permanent basis. The CBO baseline revenue projections assume that MFN status for Hungary and Czechoslovakia will be extended on an annual basis through a President waiver throughout the five-year estimation period. Therefore, enactment of H.R. 1724 would have no budgetary impact when measured relative to the CBO baseline.

H.R. 1724 could affect receipts and thus would be subject to pay-as-you-go procedures under Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. As a result, the estimate required under Clause 8 of House rule XXI also is attached.

PAY-AS-YOU-GO CONSIDERATIONS

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Changes in outlays	(1)	(1)	(1)	(1)	(1)
Changes in receipts	0	0	0	0	0

[1] Not applicable

If you wish further details, please feel free to contact me or your staff may wish to contact John Stell at 226–2720.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

CONGRESSIONAL BUDGET OFFICE ESTIMATE[1]

The applicable cost estimate of this Act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Changes in outlays	(1)	(1)	(1)	(1)	(1)
Changes in receipts	0	0	0	0	0

[1] Not applicable

INFLATIONARY IMPACT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the committee states that H.R. 1724 would not have an inflationary impact on prices and costs in the operation of the general economy.

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[1] An estimate of H.R. 1724, as introduced and referred to the House Committee on Ways and Means on April 11, 191. This estimate was transmitted by the Congressional Budget Office on September 24, 1991.